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THE SOIL BANK

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* A tip for a talk! Designed by C. R. Jaccard, *

* Division of Agricultural Economics Programs *

* for Extension workers when called upon for a *

* service club talk in the field. Its objective *

* is to arouse "interest" in the program. Use *

* as your own. *

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Where did the Soil Bank Law get its name? It might have been a coincidence because it implies storing or "banking" the soil. But there is more similarity to a commercial bank than to a storehouse.

A commercial bank accepts two types of deposits--a checking account and a savings account. The Soil Bank Law also provides for two types of accounts. It has a checking account--the acreage reserve. It has a savings account--the conservation reserve.

You make the Soil Bank deposits for the same reason you make commercial bank deposits. You open a checking account in a commercial bank because you have more money than you can use right now. You don't want to carry it around with you because it is too bulky. You might lose it. You check it out as you need it--tomorrow - next week - or next month. But you must keep that checking account sound. You can't overdraw it. You keep putting more in as you receive it from income.

So it is with the Soil Bank. Agriculture has a lot of land in cultivation right now. Some say we have 40 million acres of crop land more than needed to supply present markets. An individual may feel that this does not apply to him. But it is true for the United States of which he is a part.

An adjustment is needed in the pattern of U. S. agricultural production and it can only be secured by adjustments on individual farms. This is the responsibility of the producer. The Soil Bank is a tool which the Congress has provided to help get this adjustment. But let's continue with the comparison.

You have no immediate market for production from this crop land, so you bank a part of it. It becomes a checking account because you can draw on it next year by planting it to another crop. But if you want to keep the account liquid, you must make another deposit.

Your Soil Bank checking account draws interest--if you treat it right. You can plant it to a cover crop that will increase the value of the deposit. You don't even have to wait a year. You get an income equal to the normal yield multiplied by a percent of the support price for the crop from which the account is drawn. This is an insurance feature against loss of an entire crop income from drought, hail or flood. In case you do not want to rotate this account, you may leave the deposit where it is for more than one year and draw an annual incentive payment. In case of a drought or disaster, the Soil Bank Law allows you to draw on your deposit by pasturing it. By planting a cover crop on your acreage reserve, you reduce the chance of losing the soil from wind or water erosion. Pretty sound business!

How about the savings account? When you have more money than you need for operating capital, you can either expand your operations or you can start a savings account. If you expand, you increase your risk, of course. There is another hurdle. To expand operations you make more capital investment which may endanger your whole enterprise. So you decide instead to put it to work for you in a savings account.

The conservation reserve is a savings account. You cannot draw on it immediately. But it draws interest. While it is in reserve, it is accumulating resources toward an anticipated (obvious) growing market. It is an investment in the future the same as a commercial bank savings account. And when it matures, it begins producing for you.

The word conservation means saving. It is expected that the kind of crop land that will go into the conservation reserve (the savings account) will be that crop land most subject to depletion by wind and water erosion. It never has been much of an asset to profits from cropping. Except in very favorable years it may have actually reduced total farm profits. In conservation reserve, it will grow into grass. This is its best use. When the period of maturity has arrived, it will perform profitably.

You may think you have too much invested in it to convert it to less intensive uses. It is probably true that you have invested too much in that piece of land. And here is where the Soil Bank Program is worth investigating. You will receive a cash rental during the years it is under contract. In addition you will receive a large part of the cost of opening the savings account (converting to proper use). Society through the Soil Bank will have helped you take the capital depreciation represented by the difference in what you paid for it as crop land and what it is now worth as pasture.

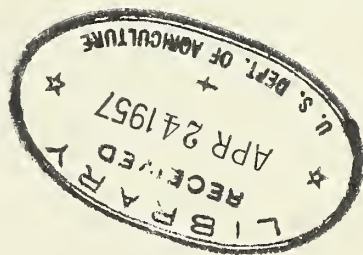
In many instances, this land would never have been in cultivation except for the incentives for maximum production for war. In a sense, society, through incentive payments, helped bring the land into production and through high prices inflated its value beyond its productive capacity to return a profit under normal prices.

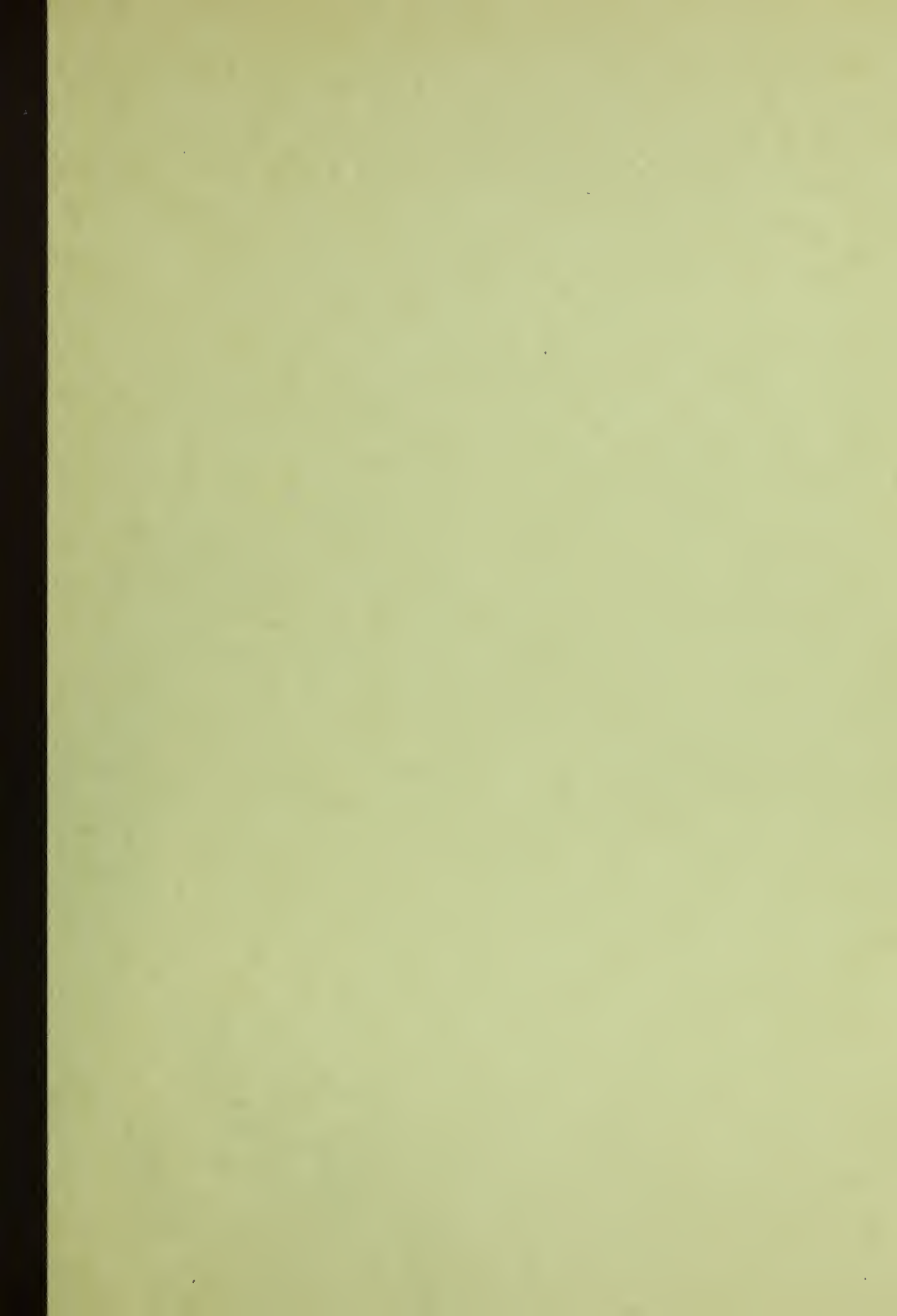
Like industry did after the war, you have retooled your plant to the production of consumer goods for which there is a market instead of war goods which nobody wants to buy. Thereby, both you and the consumer have benefited. It

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will now return you a better and more constant income than under continuous cultivation and your savings account in the conservation reserve is working for you just like a savings account in a commercial bank.

By using your checking account (the acreage reserve) and your savings account (the conservation reserve) you have reduced the supply of the product formerly produced in surplus on your farm, thus enhancing the price of what is produced and may have answered for yourself the question, "How can I make more in the long run by producing less in the short run?"





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